

Message Text

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20

ACTION EA-14

INFO OCT-01 EUR-25 NEA-10 ADP-00 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 PM-09 INT-08 SCEM-02 L-03 H-02 PA-03

PRS-01 USIA-12 RSR-01 /199 W
----- 099336

R 180911 Z MAY 73
FM AMEMBASSY RANGOON
TO SECSTATE WASHDC 6773
INFO AMEMBASSY BELGRADE
AMEMBASSY DACCA
AMEMBASSY NEW DELHI
AMEMBASSY JAKARTA

LIMITED OFFICIAL USE RANGOON 1157

E. O. 11652: N/ A DECON 5/18/77

TAGS: EMIN BM

SUBJECT: BURMESE OIL POLICY- IMPLICATIONS OF U. S. TAX LAW

REF: RANGOON 1111 (NOTAL)

1. AMOCO REPRESENTATIVES HELD TALKS WITH MOC MAY 15 AND 17, THE FIRST OF SOME 40 COMPANIES INVITED TO DO SO. FOLLOWING MAY 15 DISCUSSIONS, AMOCO REPS EXPRESSED GENERAL SATISFACTION WITH PROGRESS MADE. PRIOR TO RECENT CHANGE IN GUB POLICY, AMOCO HAD SUBMITTED RELATIVELY DETAILED PROPOSAL FOR COOPERATION ALONG INDO-NESIAN LINES, AND THUS WAS ABLE TO BEGIN TALKS AT SOMEWHAT MORE ADVANCED STAGE THAN WILL BE POSSIBLE FOR MOST OTHER FIRMS.

2. SEVERAL ASPECTS OF MOC PROPOSALS WERE HIGHLY SATISFACTORY TO AMOCO, AND PRESUMABLY OTHER U. S. FIRMS WILL FIND THEM SO. THESE INCLUDED LACK OF ANY DESIRE FOR SIGNATURE BONUSES (REFTEL), MOC
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INTENTION TO ASSUME ALL RESPONSIBILITY FOR BURMESE TAXES, AND MOC PREFERENCE FOR ALL PROFIT SHARING TO BE BASED ON ACTUAL MARKET INSTEAD OF POSTED PRICES. MOC ALSO CLARIFIED INTENTIONS ON SURRENDER REQUIREMENTS: COMPANIES WOULD BE REQUIRED TO SURRENDER 75-80 PERCENT OF BLOCKS ON EXPIRATION OF PERIOD ALLOWED FOR EXPLORATION (THREE YEARS WAS MENTIONED AS BASIS FOR DISCUSSION), RATHER THAN IMMEDIATELY ON COMMERCIAL DISCOVERY.

3. HOWEVER, ONE POINT WHICH EMERGED FROM TALKS WILL REPRESENT MAJOR PROBLEM FOR AMOCO AND OTHER U. S. FIRMS, THOUGH NOT FOR GERMAN, JAPANESE, AND OTHER COMPETITORS. THIS STEMS FROM BURMESE INSISTENCE THAT, FOR REASONS RELATED TO CONCEPTS OF SOVEREIGNTY, RETURN TO COMPANIES WILL BE SHARE OF PROFITS, WITH COMPANIES MARKETING OIL ON MOC' S BEHALF, RATHER THAN SHARE OF PRODUCTION. TO QUALIFY FOR U. S. TAX BENEFITS, U. S. COMPANIES MUST HAVE SOME FORM OF ENTITLEMENT TO A SHARE OF THE OIL BEING PRODUCED. THIS NEED NOT BE DESCRIBED AS OWNERSHIP, BUT UNDER CURRENT U. S. INTERPRETATIONS OF TAX LAWS THE BURMESE CONCEPT OF SHARING PROFITS WOULD NOT QUALIFY.

4. AMOCO NEGOTIATOR NOTED THAT SIMILAR PROBLEM HAS ARISEN IN NEGOTIATIONS UNDER WAY WITH GOVERNMENT OF YUGOSLAVIA FOR POSSIBLE EXPLORATION IN ADRIATIC.

5. FOREGOING RECEIVED IN STRICT CONFIDENCE FROM AMOCO AND NOT FOR PASSING TO OTHER U. S. COMPANIES.
MARTIN

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NMAFVVZCZ

*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 18 MAY 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973RANGOO01157
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: RANGOON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730549/aaaajmvc.tel
Line Count: 90
Locator: TEXT ON-LINE
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 73 RANGOON 1111 (NOTAL)
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 09 OCT 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09-Oct-2001 by kelleyw0>; APPROVED <10-Dec-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> mcm 980224
Subject: BURMESE OIL POLICY- IMPLICATIONS OF U. S. TAX LAW
TAGS: EMIN, BM
To: BELGRADE
DACCA
EA
JAKARTA
NEW DELHI
SECSTATE WASHDC
Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005